

AR47

1967  
annual  
report



**FEDERAL SAVINGS  
AND LOAN CORPORATION**

*Member Canada Deposit Insurance Corporation*

## Board of Directors

OFFICERS    The Honourable G. ERNEST HALPENNY, P.C., *Chairman of the Board*  
OSCAR RECHTSHAFFEN, *President and Managing Director*  
PETER MACKENZIE, *Vice-President*  
JAMES H. MORLOCK, *Secretary*  
JOHN W. STEWART, C.A., *Treasurer*  
E. H. W. BRADFORD, *Assistant General Manager*

DIRECTORS    GORDON R. P. BONGARD, *Toronto*  
The Honourable G. ERNEST HALPENNY, P.C., *London*  
PETER MACKENZIE, *Montreal*  
JAMES H. MORLOCK, *Toronto*  
IRVIN RECHTSHAFFEN, *Toronto*  
OSCAR RECHTSHAFFEN, *Toronto*  
ROGER N. SEGUIN, Q.C., *Ottawa*

AUDITORS    MESSRS. PRICE WATERHOUSE & CO.

REGISTRAR AND TRANSFER AGENT    FEDERAL SAVINGS & LOAN CORPORATION  
Toronto

BRANCH REGISTRAR AND  
TRANSFER AGENT    NATIONAL TRUST COMPANY, LIMITED  
Toronto

HEAD OFFICE    141 Yonge Street  
Toronto

SAVINGS BRANCHES    141 Yonge Street  
605 Danforth Avenue  
950 St. Clair Avenue West  
1850 Eglinton Avenue West  
Toronto

ANNUAL MEETING    Friday, March 29, 1968, 11 :00 a.m.



## Report of the Directors

### To the Shareholders:

The growth of deposits and debentures in the year ended December 31st, 1967 was substantial, showing an increase of 41% from \$5,643,457 to \$7,986,448. Total assets increased to \$9,347,205.

This increase in available investment funds was reflected in the sharp improvement in operating results of \$91,146, notwithstanding the higher cost of all funds during the year. In the previous year, the improvement was \$84,891. This favourable trend should result in a profit in the current year.

A record amount of debentures was sold during the year, increasing the outstanding amount by 88% from \$1,956,578 to \$3,692,192.

The mortgage portfolio was increased from \$5,086,762 to \$6,018,579. It consisted of 643 loans, being an average amount of \$9,400. The average yield increased to 8.5% from 8.1% the previous year. Your Company is an Approved Lender under the National Housing Act, but has not made nor acquired any loans under its provisions.

No new branches were opened in 1967, and no branches are intended to be opened in 1968. This program permitted a reduction in branch establishment, advertising and promotion expenses from \$70,328 to \$18,628 in the year ended December 31st, 1967, without affecting deposit growth adversely.

Freedom to compete through interest rates was advocated by the Porter Royal Commission, to be achieved by extending the powers of both banks and trust and loan corporations, so that they would be more nearly identical.

However, the amendments to the Bank Act, which came into force on May 1st, 1967, extended the powers of the banks only. By raising, and then removing, the ceiling on bank loan rates, and broadening their investment powers to include conventional mortgages, it was intended to restore the banks to a more equal position with their competitors in bidding for funds.

The banks immediately overbid their main competitors' savings rates, who in turn raised their rates to match the banks', leaving the relative competitive position unchanged, with one most im-

portant exception. The largest category of bank assets were demand loans, on which they soon raised the rate of interest, increasing the cost of loans in Canada, while preserving their profitability under the new rate structure. The trust and loan corporations' main assets were long term mortgages, on which the interest rate could not be changed, and the profitability of their existing mortgage investments declined as interest rates rose.



The effect of this squeeze raised new mortgage rates to historical highs. Rates would not have to be as high if existing debtors' rates could be raised, instead of in effect penalizing new borrowers to subsidize existing low yielding loans. The cost of funds over a period of years would be more equitably shared by all borrowers, old and new, if loan and trust corporations could also make ordinary demand loans.

It is essential to change the law to permit all deposit taking institutions to make ordinary demand loans and personal loans, at least in limited amounts, to help reduce the sharp peaks in interest rates which develop periodically, and to restore the balance of competitive abilities in the main monetary institutions of the country.

We extend our sincere thanks to our excellent staff, for their major contribution to this year of progress.

Respectfully submitted on behalf of the Board.

A handwritten signature in dark ink, reading "Oscar Rechtshaffen". The signature is stylized with a large, sweeping initial 'O' and a long, horizontal stroke at the end.

*Oscar Rechtshaffen, President.*

Toronto, February 22, 1968.



# FEDERAL AND LOAN C

## Auditors' Report

To the Shareholders of Federal Savings and Loan Corporation:

We have examined the balance sheet of Federal Savings and Loan Corporation as at December 31, 1967. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet presents fairly the financial position of the corporation as at December 31, 1967.

Toronto, *February 14, 1968.*

Price Waterhouse & Co.  
*Chartered Accountants.*

	Assets	December 31	
		1967	1966
Cash		\$ 629,483	\$ 494,430
Securities:			
Short term notes		—	225,000
Government of Canada bonds, at amortized cost (quoted market value 1967 — \$1,227,275; 1966 — \$823,000)		1,310,047	836,471
Provincial and municipal bonds, at amortized cost (quoted market value 1967 — \$66,425; 1966 — \$70,000)		69,962	71,712
Corporation bonds, at amortized cost (quoted market value \$121,910)		134,573	—
Stocks, at cost (quoted market value 1967 — \$854,946; 1966 — \$42,000) ( <i>Note 1</i> )		918,947	67,124
Total cash and securities		3,063,012	1,694,737
Collateral loans		74,285	35,329
Mortgages receivable and accrued interest less unamortized discounts of \$11,509 (1966 — \$14,435)		6,018,579	5,086,762
Other assets:			
Leasehold improvements, less amounts written off		86,083	98,521
Furniture and fixtures, at cost less accumulated depreciation of \$53,060 (1966 — \$30,330)		62,195	64,348
Accounts receivable		43,051	16,757
		191,329	179,626
		<u>\$9,347,205</u>	<u>\$6,996,454</u>



# SAVINGS CORPORATION

Sheet

	December 31	
	1967	1966
<b>Liabilities</b>		
Demand deposits and accrued interest	\$ 795,889	\$ 786,581
Savings and other time deposits and accrued interest	3,498,367	2,900,298
Debentures and accrued interest	3,692,192	1,956,578
	<u>7,986,448</u>	<u>5,643,457</u>
Accounts payable and accrued liabilities	64,753	44,278
	<u>8,051,201</u>	<u>5,687,735</u>
<b>Shareholders' Equity</b>		
<i>Capital stock (Note 2):</i>		
Authorized –		
500,000 shares of \$10 each	\$5,000,000	
Issued –		
140,025 shares, fully paid (1966 – 140,000 shares)	1,400,250	1,400,000
49,975 shares, partly paid (1966 – 50,000 shares)	49,975	50,000
	<u>1,450,225</u>	<u>1,450,000</u>
<i>Profit and loss account</i>	(154,221)	(141,281)
	<u>1,296,004</u>	<u>1,308,719</u>
	<u>\$9,347,205</u>	<u>\$6,996,454</u>

Attested: Oscar Rechtshaffen, President  
John W. Stewart, C.A., Treasurer

## Profit and Loss Account

	Year ended December 31	
	1967	1966
Balance at beginning of year	\$(141,281)	\$ (37,173)
Add – Share premiums received during the year	22	—
	<u>(141,259)</u>	<u>(37,173)</u>
Deduct – Loss for the year (including branch establishment, advertising and promotion expenses 1967 – \$18,628 ; 1966 – \$70,328)	12,962	104,108
Balance at end of year	<u>\$(154,221)</u>	<u>\$(141,281)</u>

### Notes to Financial Statements December 31, 1967

#### 1. Security commitments:

At December 31, 1967 the corporation had sold, and there were outstanding, options which gave the purchasers the right:

(a) to buy from the corporation up to 2,500 shares,

(b) to sell to the corporation up to 2,300 shares,

of the capital stock of Chrysler Corporation at prices from U.S. \$53.75 to U.S. \$56.87 a share. These options expire between March 7 and March 25, 1968.

#### 2. Capital stock:

At December 31, 1967 Security Capital Corporation Limited held an option to purchase 10,000 shares of the capital stock of the corporation at \$11 per share expiring February 15, 1969 and the president of the corporation held an option to purchase 7,500 shares at \$11 per share expiring June 30, 1969.

The balance of \$494,753 unpaid in respect of the 49,975 partly paid shares is payable at the call of the directors, but not later than 1974, and when paid will be added to the shareholders' equity. During 1967, the amount unpaid in respect of 25 partly paid shares was paid by a shareholder.

#### 3. Lease commitments:

Rental payments required under leases of branch premises expiring on various dates up to 1976 aggregate approximately \$39,000 annually, before deducting amounts to be recovered from sub-tenants (\$4,666 in 1967).



## Services

### Savings Accounts

For regular savers who require their money to be available on demand and, at the same time, earn a higher rate of interest. Withdrawals and deposits may be made in person or by mail—we pay postage both ways. The current interest rate is 5%.

### Chequing Accounts

A supplementary service to savings accounts, offering convenience and free chequing privileges, plus the opportunity to earn interest. The current rate is 4%. Statements of account and cancelled cheques are mailed out bi-monthly.

### Special Savings Accounts

For individuals or companies having sums of \$5,000 or more. Funds may be withdrawn on demand, but provided they have remained on deposit for 30 days, interest is paid on the *daily* balance. The current rate is 5½%.

### Term Deposit Certificates

A short term investment for periods from 30 days to 1 year offering a high yield. Redeemable at any time prior to maturity at a slightly reduced interest rate. Minimum amount \$1,000.

### Debentures

An investment for a fixed period of time from one to five years offering the highest return—up to 7%. Debentures are available in amounts from \$500 upwards and

interest may be collected half-yearly or compounded to maturity.

### Debenture Savings Account Plan

This is a special monthly instalment savings account designed to help the small regular saver to purchase a Debenture and gain the benefit of higher interest normally available to cash investors only. By completing the agreed number of monthly deposits, 5% interest for the full period is added to the account and a paid-up Debenture is issued. Also, the funds may be withdrawn at any time prior to completion of the plan.

### Mortgage Loans

Available on residential or commercial property at competitive rates. Application may be made through any of our branches.

### Safety Deposit Boxes

Each branch has Safety Deposit Boxes for rent at \$6.00 per annum.

### Travellers Cheques and Money Orders

Our branches sell Travellers Cheques and Money Orders for use in most countries of the world. We are also able to transfer money abroad in most currencies by mail or cable.

### Longer Business Hours

Each of our branches is open more than 50 hours per week, including Friday evenings and all day Saturdays.

